Privatization of Transportation Services in Developing Countries

Greg Karssen
Center for Transportation Research and Education
Iowa State University
2711 S. Loop Drive, Suite 4700
Ames, IA 50010
airgreg@iastate.edu

Reginald Souleyrette
Center for Transportation Research and Education
Iowa State University
2711 S. Loop Drive, Suite 4700
Ames, IA 50010
reg@iastate.edu

ABSTRACT

Developing countries are often characterized by insufficient revenues and weak governmental structure, which often lead to difficulties in provision of public facilities as well as a loss of regulatory control. This is particularly true of transportation infrastructure and services, important but often overlooked issues with contributions and impacts across the social and economic spectrum.

In developed and developing countries worldwide, privatization is seen as a means to transfer state-owned enterprises to the private sector and reduce government spending. This paper focuses on privatization of transportation services in developing countries. As market liberalization policies become more prevalent across these countries, privatization is often seen as a tool to shed government risk and boost the private sector. Capital constraints limit the effectiveness of the privatization of the transportation infrastructure; however, transportation services have been privatized with varying degrees of success. Paradoxically, the privatization of transportation services can often reassert government control through improved policies, regulation, and quality of service requirements in contracts.

First, relevant literature to the issue of privatization in general is summarized, using case studies to identify impacts and lessons learned through privatization in developing and developed countries. Next, a framework for evaluating a privatization project is developed. This framework is then applied to the privatization of transportation systems in developing countries, with a particular focus on bus rapid transit. The policy and planning recommendations gleaned from these experiences apply in developing and developed countries alike.

Key words: developing countries—privatization—transit